

**REPORT OF THE AUDIT OF THE
FAYETTE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FAYETTE COUNTY SHERIFF

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Fayette County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Fayette County Sheriff had total revenues of \$7,868,262, which was a \$361,807 increase from the prior year. Except for reimbursed expenses, the Sheriff paid 25% of revenues to the Lexington-Fayette Urban County Government in the amount of \$1,031,399. This was an increase of \$9,793 from the prior year. In addition, disbursements increased by \$180,090.

Debt Obligations:

The Fayette County Sheriff's office is committed to two lease agreements for hardware and software. The agreements total \$74,085 as of December 31, 2008. Future collections of \$26,940 are needed over the next year to pay all debt principal and interest.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette
Members of the Lexington-Fayette Urban County Government Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Fayette County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2008. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2009, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette
Members of the Lexington-Fayette Urban County Government Council

This report is intended solely for the information and use of the Sheriff, the Lexington-Fayette Urban County Government Council and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

November 25, 2009

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Grants		\$	119,333	
State Grants			147,302	
State Fees for Services			522,799	
State - HB 452 Funds			325,630	
Circuit Court Clerk			30,320	
County Clerk			3,996	
Commission on Taxes			5,005,066	
Fees Collected for Services:				
Auto Inspections	\$	108,950		
Serving Papers		322,035		
Sheriff's Sale Fees		117		
Carrying Concealed Deadly Weapon Permits		22,600		
Sheriff's Advertising Fees		4,055		457,757
				<hr/>
Other Revenues:				
Tax Commission Add-On Fees		1,109,055		
NSF Fees		1,780		
CCDW Photo		2,305		
Interest Earned		81,610		
Miscellaneous		61,309		1,256,059
				<hr/>
Total Revenues				7,868,262

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Expenditures

Other Expenditures:

Jury Meals		\$ 3,473
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Net Revenues		7,864,789
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Payments to State Treasurer:

75% Operating Fund	\$ 6,833,390	
25% County Fund	1,031,399	7,864,789

Balance Due at Completion of Audit		\$ 0
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The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2008

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2008	\$ 804,903	\$	\$ 804,903
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	6,833,390		6,833,390
Fees Paid to State - County Funds (25%)		1,031,399	1,031,399
	<hr/>	<hr/>	<hr/>
Total Funds Available	7,638,293	1,031,399	8,669,692
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Payments to Lexington-Fayette Urban County Government		1,031,399	1,031,399
Personnel Services-			
Sheriff's Salary	100,456		100,456
Sheriff's Training Incentive	3,525		3,525
Deputies' Salaries	2,932,715		2,932,715
Overtime Gross	129,288		129,288
Employee Benefits-			
Employer's Share Social Security	223,544		223,544
Employer's Share Retirement	745,248		745,248
Employer's Paid Health Insurance	392,133		392,133
Other Payroll Disbursements-			
Workers Compensation	13,528		13,528
Life Insurance	8,120		8,120
Unemployment Insurance	2,281		2,281
Dental Insurance	33,188		33,188
Contracted Services-			
Consulting	15,252		15,252
Materials and Supplies-			
Office Supplies	59,313		59,313

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
<hr/>			
<u>Expenditures</u> (Continued)			
Other Charges-			
Computer	\$ 757	\$	\$ 757
Insurance - Property & Casualty	269,898		269,898
Equipment Maintenance and Repair	64,525		64,525
Dues and Subscriptions	4,083		4,083
Audit	13,896		13,896
Imprest Cash	5,261		5,261
Postage	54,857		54,857
Radio Equipment	4,334		4,334
Tower Rental	9,000		9,000
Training	4,771		4,771
Recruiting	32,073		32,073
Telephone and Pager	41,090		41,090
Uniforms	54,248		54,248
Rent	13,351		13,351
Utilities	4,265		4,265
Parking	25,900		25,900
Travel	15,066		15,066
VAWA Service Contract	2,979		2,979
Victims of Crime Act	16,546		16,546
Waste Management	610		610
COBRA Insurance	1,485		1,485
Internet	2,174		2,174
Wellness Program	8,400		8,400
Sex Offender Management	7,000		7,000
Auto Expenses-			
Gasoline	128,183		128,183
Maintenance and Repairs	16,889		16,889
Vehicle Equipment	23,448		23,448
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Capital Outlay-			
Body Armor	\$ 9,334	\$	\$ 9,334
Firearms Duty Training	1,785		1,785
Water Dispenser	380		380
Rapid Print Time Stamp	1,827		1,827
Camera	415		415
Record Management Systems	23,192		23,192
Gun Locker	6,384		6,384
Card Reader	12,925		12,925
GPS Equipment	420		420
Investigative Management System	20,722		20,722
Radio Equipment	76,080		76,080
Radio Purchase	6,322		6,322
Reference Guide	1,274		1,274
Equipment	5,400		5,400
Computer Purchase	5,507		5,507
Vehicle Equipment	37,229		37,229
Cellular Phone Equipment	3,353		3,353
Vehicles	160,460		160,460
Total Expenditures	5,856,689	1,031,399	6,888,088
Fund Balance - December 31, 2008	\$ 1,781,604	\$ 0	\$ 1,781,604

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent for the first six months and 29.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Fayette County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Fayette County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
(Continued)

Note 4. Leases

A. The office of the Sheriff was committed to a lease agreement with Custom Solutions Inc. for the leasing of hardware. The agreement requires a monthly payment of \$1,345 beginning October 1, 2008 and is renewable annually for three years. The remaining balance of the agreement for the full lease term was \$44,385 as of December 31, 2008.

B. The office of the Sheriff was committed to a lease agreement with Custom Solutions Inc. for the leasing of software. The agreement requires a monthly payment of \$900 beginning October 1, 2008 and is renewable annually for three years. The remaining balance of the agreement for the full lease term was \$29,700 as of December 31, 2008.

Note 5. Rental Agreements

The Sheriff is committed to the following rental agreements as of December 31, 2008:

A. A verbal agreement with the Gibson Company for real property at 340 and 346 South Broadway Park, Lexington, KY. The agreement requires a monthly payment of \$935.

B. The Sheriff also leases a radio tower from Lexington Call Mobile, Inc. This agreement requires a yearly payment of \$9,000.

Note 6. Return Of Fugitive Account

The Sheriff maintains a separate bank account for expenses incurred during the return of fugitives. The Sheriff's office incurs expenses for these trips and requests reimbursements from the state. The reimbursements are then deposited into the bank account at which time the expenses are paid. The beginning balance was \$0. There were receipts of \$87,830 and disbursements of \$87,830 leaving a balance of \$0, as of December 31, 2008.

Note 7. Asset Forfeiture Account

The Sheriff maintains a separate bank account for monies that are seized and forfeited to the Sheriff's office by court order. The balance as of January 1, 2008, totaled \$735. During 2008, the Sheriff received \$0 in forfeiture monies and \$9 in interest. No funds were expended. The balance of this account as of December 31, 2008, totaled \$744.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
(Continued)

Note 8. Federal Grants

A. Taking Action For A Safer Tomorrow Grant

The Fayette County Sheriff's office was awarded a Taking Action For A Safer Tomorrow Grant for the period October 1, 2007 through September 30, 2008. During 2007, grant funds in the amount of \$6,026 were received and during 2008, grant funds in the amount of \$30,379 were received.

The Fayette County Sheriff's office was awarded another Taking Action For A Safer Tomorrow Grant for the period October 1, 2008 through September 30, 2009. During 2008 grant funds in the amount of \$8,306 were received.

B. Zero Tolerance: A Comprehensive Approach Grant

The Fayette County Sheriff's office was awarded a Zero Tolerance: A Comprehensive Approach Grant for the period January 1, 2008 through December 31, 2008. During 2008, grant funds in the amount of \$80,647 were received.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette
Members of the Lexington-Fayette Urban County Government Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Fayette County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated November 25, 2009. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fayette County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's financial statements as of December 31, 2008, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Lexington-Fayette Urban County Government Council and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

November 25, 2009

